

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

MEMORANDUM

To: Assessing Officials

From: Department of Local Government Finance

Date: February 2006

Subject: Personal Property Assessment – Changes for 2006 pay 2007 and Use of Reassessment Funds to Purchase Software

Personal Property Assessment – Changes for 2006 pay 2007

Inventory deduction

Pursuant to IC 6-1.1-12-42 and effective statewide on March 1, 2006, taxpayers are entitled to a deduction from assessed value equal to one hundred percent (100%) of the inventory's assessed value. The deduction is automatic and taxpayers do not have to file a separate application. Taxpayers must still report any inventory on Schedule B (Form 103-Short or 103-Long), and Schedule B and B-1 (Form 102). Continued reporting ensures the assessment of all personal property under IC 6-1.1-2-2 and allows the Department to compile data for future legislative analysis.

If a taxpayer does not report their inventory, as required under 50 IAC 4.2-2-10 (b), the assessor should estimate the value of the inventory, the corresponding inventory deduction, and impose a twenty-five dollar (\$25) penalty. IC 6-1.1-3-20 requires the assessing official to provide taxpayers with a notice of change in assessed value.

Application software

Another change, effective March 1, 2006, affects the assessment of application software. PL 214-2005 amended IC 6-1.1-1-11 (b) to read that personal property does not include computer application software that is not held in inventory. Application software that is for sale is still classified as personal property and is assessed as inventory; software that is booked as a depreciable asset may be considered similar to intangible property.

Investment deduction

Lastly, taxpayers are eligible to file for an investment deduction beginning on March 1, 2006, pursuant to IC 6-1.1-12.4. The 2006 personal property forms have been modified to accommodate these deduction changes. To obtain the deduction, a taxpayer must file a Form PPID-1, 103-ERA, 103-P5 ERA, Form EZ-2, or Form RPID-1. Camera ready forms and on-line access will be available before March 1st. The Department recently adopted a new investment deduction rule (50 IAC 22). The statute, administrative code, and forms are available on-line at www.in.gov/dlgf/.

Use of Reassessment Funds to Purchase Personal Property Software

The Department has determined that it is permissible to use reassessment funds to purchase software for personal property data compliance.

Questions regarding this memorandum may be directed to Lori Harmon (317) 233-6770 or Lharmon@dlgf.in.gov, or an assessment field representative at (317) 232-3773.